

Issue Rating for Fixed Rate
Secured Notes of

Solar Chest S.A.

11 July 2017



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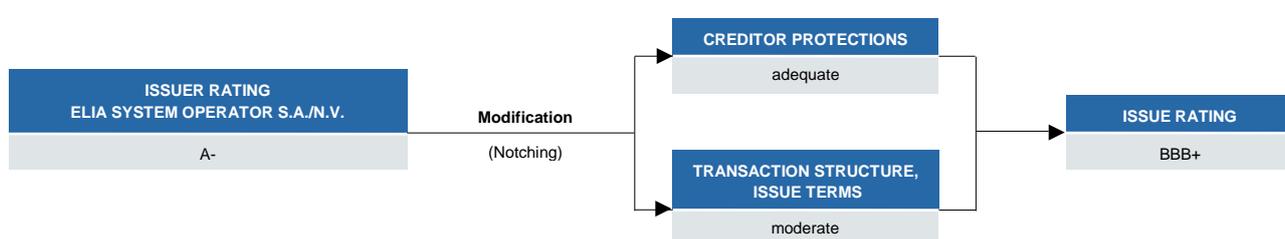
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Issue rating

Fixed Rate Secured Notes of Solar Chest S.A.		11 July 2017	
		Issue rating	
		Outlook	
		BBB+	
		stable	
Industry	Electricity transmission systems operation (TSO Elia) in Belgium and Germany	Total amount issued	€ 275 million
		Coupons	2.129 for the 2020, 2.387 for the 2021, 2.636 for the 2022 notes



ISSUER RATING	A-
<ul style="list-style-type: none"> The issue rating is largely based on Elia's guarantee to repurchase green certificates that Solar Chest had previously acquired from Elia, Elia's issuer rating and the legal and regulatory framework We assigned Elia an issuer rating of A- on 11 July 2017. 	

CREDITOR PROTECTIONS	+/- 0
<ul style="list-style-type: none"> Adequate creditor protections Standard termination rights 	

SECURITY STATUS	- 1
<ul style="list-style-type: none"> Elia has a legally guaranteed repurchase obligation Public service levies on electricity rates cover purchases of green certificates as well as transaction, operating and interest costs charged to Elia No other debt securities have been issued 	

EXTERNAL INFLUENCE	+/- 0
<ul style="list-style-type: none"> External influence recognized in the issuer rating of Elia 	

KEY DATA		
ISIN	BE6279145443, 6279148470, 6279151508	
Total amount issued	€ 275 million	Issue date: 30 June 2015. The bond was issued to finance the acquisition of 4,138,462 green certificates at the legally guaranteed minimum price of € 65 (excluding VAT) from Elia System Operator S.A./N.V. ("Elia").
Fixed coupon	2.129, 2.387 and 2.636 % p.a.	Three tranches paid yearly starting on 30 June 2016, and every 30 June thereafter
Maturity	5-7 years	1 st tranche until 30 June 2020, 2 nd tranche until 30 June 2021 and 3 rd tranche until 30 June 2022 at the latest

Rating rationale

Euler Hermes Rating affirms the BBB+ rating of the Fixed Rate Secured Notes with an issue volume of € 275 million maturing 2020-2022. The issue rating is largely based on Elia's guarantee to repurchase green certificates that Solar Chest had previously acquired from Elia, Elia's issuer rating and the legal and regulatory framework.

Legal, regulatory and contractual transaction structure are adequate

The Walloon government authorised Solar Chest to buy green certificates in order to stabilise electricity tariffs in the Walloon Region based on the law of 12 April 2001 and the decrees approved on 12 December 2014 and 28 June 2017, which we consider to be a key element of the legal framework. We expect a high recovery rate based on the bond terms (offering circular) and the legal and contractual reservation process, both of the latter requiring the local transmission system operator (LTSO) to repurchase the certificates (latest at the end of each reservation or at an earlier mandatory buy-back) at the price paid by Solar Chest. Elia will pay the interest, transaction and administration expenses as set out in the regulatory mandate. In return, Elia is authorised to impose future levies on electricity consumers in order to recoup financial charges, other transaction and operating costs, and all the costs associated with the return of unmarketable certificates within justified budget overruns and budgets approved by the federal regulator (CREG).

Adequate creditor protections

The creditor protections are reasonable in our view and include extensive oversight rights for the responsible regulators (CWaPE, CREG). We believe Solar Chest has sufficient financial flexibility given its cash position of € 2.7 million at 30 June 2017, its option to demand advance payments from Elia, and Elia's obligations to provide additional funds in the event of budget overruns. We view as strengths the fact that external trustees monitor the use of funds and that bank accounts, receivables, certificates and securities have been pledged to bondholders and other secured creditors. The special rights of termination – for example if Elia or Solar Chest declare bankruptcy and cross acceleration clauses – are reasonable and appropriate in our view. The repurchase obligation of Elia is contractually linked to the transmission system operator's concession (which expires on 17 September 2022). We believe that creditors are adequately protected in the event of an early change of transmission system operators since the repurchase obligation will pass to Elia's legal successor. We also view as positive the fact that Solar Chest is contractually treated *pari passu* with other unsecured creditors of Elia. Other positive factors include public sector control over Solar Chest as a municipally owned entity.

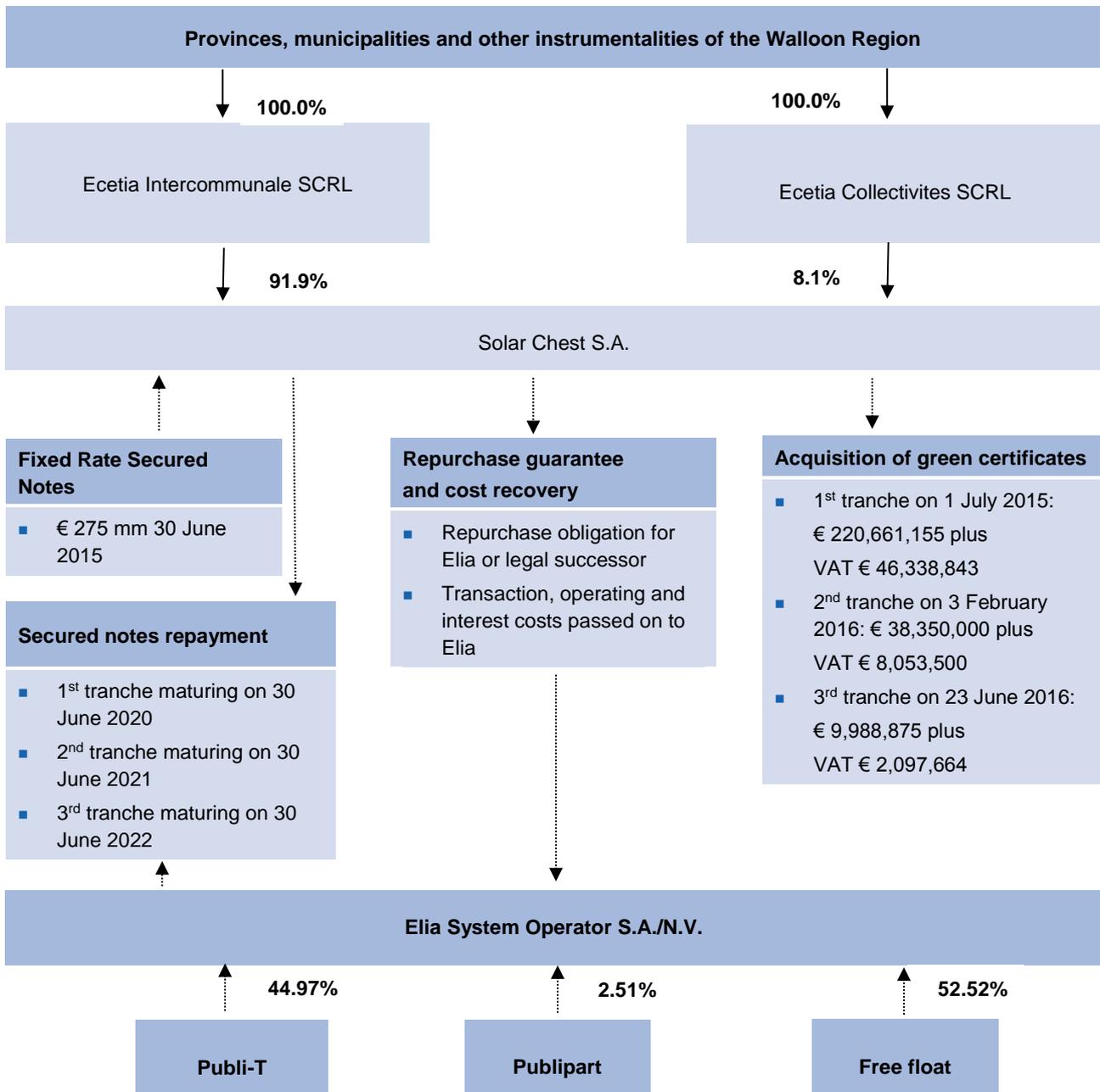
Notching depending on rating given to Elia

Given the transaction structure and issue terms based on the issuer rating of Elia (A-) we adjust the rating of the Solar Chest issue downwards by one notch to BBB+.

Rating history

	17 July 2015	12 July 2016	11 July 2017	
Issue rating for Fixed Rate Secured Notes	BBB+	BBB+	BBB+	
Issuer rating	A-	A-	A-	
Outlook	stable	stable	stable	

Transaction structure



Disclaimer

Solar Chest S.A. (client and issuer) engaged Euler Hermes Rating GmbH to conduct a rating of the Fixed Rate Secured Notes issuance (rated entity) on 25 March 2015 with the approvals of Ecetia Intercommunale SCRL (public law entity) and Elia System Operator S.A./N.V. The company visit to Elia System Operator S.A./ N.V. took place on 19 June 2017.

The Rating Committee of Euler Hermes Rating GmbH reviewed the rating process, issued the rating notation and approved the rating report in its current form on 11 July 2017. The rating report was given to Solar Chest S.A. on 20 July 2017, thereby concluding the rating process.

The rating is Euler Hermes Rating GmbH's opinion of the creditworthiness of a rated entity. It is not a statement of fact. Euler Hermes Rating GmbH is not engaged in buying or selling securities. Its rating report is neither a prospectus nor a substitute for information assembled and presented by companies or issuers for investors regarding the purchase of a security or for assessing the creditworthiness of a rated entity. The rating is not a recommendation to participate in certain facilities. All recipients of the information must conduct their own independent analyses, credit assessments and other verifications and evaluations that are customary and necessary in order to reach a final decision about participating in any facility.

The issuer is solely and exclusively liable for any material errors and omissions in the documents and information openly and willingly provided by it in response to our requests for information.

The rating is published on Euler Hermes Rating GmbH's website (www.eulerhermes-rating.com) or published for subscribers (e.g. on a portal) and will be followed by a subsequent one-year monitoring process. During this period, the issuance, the issuer and the sector and business environment in which it operates will remain under observation. The representatives of the issuer remain subject to a full disclosure obligation during this period. Any change in Euler Hermes Rating GmbH's rating assessment will result in a change in the published rating notation, meaning that this notation represents the current rating assessment at all times. The rating will only remain published after the end of the monitoring period if a follow-up rating is performed.

Please note that summaries of contracts, laws and other documents contained in the rating report cannot replace careful study of the complete texts. Euler Hermes Rating GmbH cannot guarantee that the information used to prepare this report has not changed since it was collected and is still accurate at the time of publication. Euler Hermes Rating GmbH is under no obligation to complete the information that it considered when issuing the rating.

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Euler Hermes Rating GmbH

Hamburg, 20 July 2017

Analysts

Karl Holger Möller, senior analyst and project manager
Michel Graire, analyst

Rating committee

Dörte Mählmann, director
Holger Ludewig, director

Principal sources of information

- Certified consolidated financial statements for 2014-2016 of Elia System Operator S.A./N.V./Elia Asset S.A./N.V. (Elia) and Eurogrid GmbH (Eurogrid) as well as annual financial statements for 2014-2016 of Ecetia Intercommunale SCRL (ECETIA; public law entity) and Ecetia Collectivites SCRL (public law entity)
- Statutory annual accounts as of 31 December 2016 of Solar Chest S.A.
- Excerpts from the internal reporting system of Elia, Eurogrid and the Ecetia Gruppe (e.g. business performance in 2016 and 2017, tariff calculations, analysis of bank liabilities, etc.)
- Market analyses
- Strategy and corporate planning activities of Elia, Eurogrid and Ecetia Group
- Financial model and yearly budget of Solar Chest (Appendices 2 and 3 of the CRA)
- Corporate and financing agreements, Elia Group
- Legislation, regulatory framework
- Talks with the management of Ecetia, Solar Chest S.A. and Elia
- Information memorandum of the transaction for the reservation of green certificates (27 January 2015)
- Offering Circular with respect to the private placement of € 275 million, status as of 22 June 2015
- Terms and conditions of the Notes, status as of 25 June 2015
- Agreement for the purchase and reservation of green certificates (CRA) between Elia, Solar Chest S.A. and Security Agent, status as of 22 June 2015, draft Amendment as of 6 July 2017
- Master definitions and common terms agreement between Elia, Solar Chest S.A., ECETIA, Security Agent, Bank Degroof S.A., U.S. Bank Trustees Limited and BNP Paribas Fortis S.A., status as of 22 June 2015, draft Amendment as of 6 July 2017
- Corporate services and cash administration agreement between ECETIA, Solar Chest S.A., Security Agent and Cash Supervisor status as of 22 June 2015
- Security agency agreement between Solar Chest S.A., Elia, Security Agent, Corporate Services Provider, Cash Administrator, Account Bank and Cash Supervisor, status as of 22 June 2015
- Management agreement between ECETIA, Ecetia Collectivites, Solar Chest S.A. and Security Agent, status as of 22 June 2015
- Account bank agreement between Solar Chest S.A., Cash Administrator, Cash Supervisor, Security Agent und Account Bank, status as of 22 June 2015
- Bank accounts pledge agreement between Solar Chest S.A. and U.S. Bank Trustees Limited, status as of 22 June 2015
- Receivables pledge agreement between Solar Chest S.A. and U.S. Bank Trustees Limited, status as of 22 June 2015
- Green certificates pledge agreement between Solar Chest S.A. and U.S. Bank Trustees Limited, status as of 22 June 2015
- Securities account pledge agreement between Solar Chest S.A. and U.S. Bank Trustees Limited and BNP Paribas Fortis S.A., status as of 22 June 2015
- Cash Supervisor Agreement between Bank Degroof S.A., ECETIA, Solar Chest S.A., Security Agent as of 22 June 2015
- Memorandum as of 6 July 2017

Rating method

Issuer rating of Euler Hermes Rating GmbH as of Mai 2016
([http://www.ehrg.de/seiten/Methodology - Issuer rating 2016 \(EHR\).pdf](http://www.ehrg.de/seiten/Methodology - Issuer rating 2016 (EHR).pdf))
Issue rating of Euler Hermes Rating GmbH of December 2014
(<http://www.ehrg.de/seiten/Methodology%20Issue%20Rating%202014.pdf>)

Appendix 1: Rating categories

Category	Explanation
AAA	In the opinion of EHRG, AAA rated entities demonstrate an excellent credit quality and the lowest default risk.
AA	In the opinion of EHRG, AA rated entities demonstrate a very high credit quality with a very low default risk.
A	In the opinion of EHRG, A rated entities demonstrate a high credit quality with a low default risk.
BBB	In the opinion of EHRG, BBB rated entities demonstrate a medium credit quality with a moderate default risk.
BB	In the opinion of EHRG, BB rated entities demonstrate a medium-low credit quality with a slightly increased default risk.
B	In the opinion of EHRG, B rated entities demonstrate a low credit quality with an increased default risk.
CCC	In the opinion of EHRG, CCC rated entities demonstrate a very low credit quality with a high default risk.
CC	In the opinion of EHRG, CC rated entities demonstrate a very low credit quality, an event of default is very likely.
C	In the opinion of EHRG, C rated entities demonstrate a very low credit quality, an event of default is imminent.
D / SD	D rated entities have defaulted, as defined by the rating agency. The rated entity is assigned an SD rating (Selective Default) if it has only defaulted on certain debt obligations.
PLUS (+) MINUS (-)	Rating categories from AA to CCC are modified by a PLUS (+) or MINUS (-), where required, in order to show their relative position within the rating category.